

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 ABF-01 FS-01 SP-02 AID-05 EB-07

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CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2652

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, IR

SUBJECT: IRANIAN RIAL DEVALUED 0.375 PERCENT AGAINST U.S. DOLLAR

REFS:(A) TEHRAN 1461,(B) TEHRAN 1669

1. THE CENTRAL BANK OF IRAN(CBI) ON THE MORNING OF JULY 23 ANNOUNCED A NEW BUYING RATE OF RLS. 66.766 PER U.S. DOLLAR AND A SELLING RATE OF RLS 67.016 TO THE DOLLAR. THIS SLIGHT DEVALUATION OF THE IRANIAN CURRENCY AMOUNTS TO 0.375 PERCENT.

2. FOR THE PAST FEW DAYS TEHRAN'S RUMOR MILL HAD BEEN PREDICTING A 2.25 PERCENT RIAL DEVALUATION IN VIEW OF THE STRENGTHENING DOLLAR AND THE PREVIOUSLY ANNOUNCED GOI POL-
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ICY TO CHANGE THE RATE OF EXCHANGE WHENEVER THE DOLLAR/SPECIAL

DRAWING RIGHT RATE FLUCTUATED MORE THAN 2.25 PERCENT ON EITHER SIDE OF PARITY FOR FIVE CONSECUTIVE DAYS. ACCORDING TO FEREIDUN NADERI, DIRECTOR OF THE CBI'S FOREIGN DEPARTMENT, THE MUCH SMALLER DEVALUATION WAS DECIDED UPON ONE DAY EARLIER THAN WAS NECESSARY IN ORDER TO LESSEN THE IMPACT OF THE CHANGE AND TO FOOL CURRENCY SPECULATORS. HE SAID THE 0.375 PERCENT DEVALUATION IN RELATION TO THE DOLLAR KEEPS THE IRANIAN RIAL "WITHIN THE TUNNEL" OF 2.25 PERCENT OF DOLLAR/SDR PARITY. IF THE DOLLAR CONTINUES TO STRENGTHEN IN RELATION TO THE SDR, THEN THE CBI WILL CONSIDER ANOTHER SMALL DEVALUATION OF THE RIAL WITHIN THE NEXT FEW DAYS.

3. COMMENT: A SERIES OF SMALL CHANGES IS A MORE SOPHISTICATED WAY OF MANAGING THE IRANIAN CURRENCY'S RATE OF EXCHANGE IN A SYSTEM OF FREELY FLUCTUATING EXCHANGE RATES. THE CENTRAL BANK OBVIOUSLY IS VERY PLEASED WITH ITSELF FOR HAVING SURPRISED EVERYONE BOTH BY ANNOUNCING THE DEVALUATION EARLIER, AND FOR A MUCH SMALLER AMOUNT, THAN HAD BEEN EXPECTED.

HELMS

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